

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4247-01
BILL NO.: HB 1950
SUBJECT: Department of Economic Development; Taxation.
TYPE: Original
DATE: March 23, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$103,475) to (Unknown)	(\$55,024) to (Unknown)	(\$56,474) to (Unknown)
Total Estimated Net Effect on <u>All</u> State Funds *	(\$103,475) to (Unknown)	(\$55,024) to (Unknown)	(\$56,474) to (Unknown)

* Could exceed \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal creates a \$2,500 credit for building a “universal design” home as defined in the proposal. The DED is required to issue the credit and notify the Department of Revenue (DOR) of credits authorized.

The DED estimates that the fiscal impact is unknown, but can be estimated as follows; According to the US Census Bureau, 19.2% of Missouri’s population qualifies as disabled. Housing starts amounted to 25,156 in 1999 and are projected to be 23,191 for 2000 resulting in an average of 24,174. Assuming that the majority of people building universal homes will be disabled, $(19.2\% \times 24,174)$ 4,641 credits would be possible. The DED has no method of determining how many credits would be claimed but has made the assumption that a minimal amount of these houses would be built to qualify for the credit. The DED’s assumption is approximately 20% of the 4,641 houses would be built to qualify for the credit and result in 928 credits or a \$2,320,000 impact on total state revenues. The DED states that this amount is used for projection purposes, and the range could be from \$0 to \$11,602,500 total impact on state revenues.

The DED assumes that 928 people would apply for the credit. Given this volume, the DED states that they should be able to administer the program with one person. Increases in the amount of credits could require additional personnel requests in the budget process. The DED assumes the need for one (1) Economic Development Incentive Specialist I (at \$29,184) to design the credit application, promote the program, track credits, notify the DOR of credits and inspect units to insure they are built in compliance with qualification requirements.

Officials from the **Department of Revenue (DOR)** assume this legislation authorizes a one-time, nonrefundable tax credit equal to \$2,500 to any individual who builds a universal design home in Missouri. To claim the credit, the individual must submit an application to the Department of Economic Development, who will certify the tax credit to the taxpayer and the Department of Revenue. The taxpayer is not required to submit the certificate of tax credit with the income tax return.

The DOR states that the number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (\$8.00 an hour) for every 130,000 returns filed (key entry) and one Tax Processing Tech I for every 2,000 credits claimed each year (processing). One Tax Processing Tech I will also be needed for every 30,000 additional errors generated by this legislation. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits claimed.

ASSUMPTION (continued)

The DOR assumes this legislation will require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$41,617. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$4,498 is requested for implementation costs and \$121 is requested for on-going costs.

Oversight assumes the Department of Revenue could request additional FTE to process the additional tax credits if the need arises, but for purposes of this fiscal note, the DOR is assumed only to have additional costs of programming and data charges of \$46,115 from this proposal.

In response to similar legislation from this year, officials from the **Office of Administration, Budget and Planning** state that they have no empirical basis to estimate the fiscal impact of the proposal.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 6 new pages of regulations in the Code of State Regulations at a cost of \$26.50 per page, and 9 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal are estimated to be \$362, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes this proposal would result in an indeterminable number of tax credits. Oversight has estimated the fiscal impact from this proposal as a range of \$0 to unknown because of the inability to determine the number of universal design homes that would be built with the said specifications.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

<u>Costs</u> - Tax credit for building of universal design home	\$0 to (unknown)	\$0 to (unknown)	\$0 to (unknown)
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<u>Costs</u> - Department of Revenue Programming charges	(\$46,115)	\$0	\$0
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<u>Costs</u> - Department of Economic Development			
Personal Service (1 FTE)	(\$24,918)	(\$30,661)	(\$31,428)
Fringe Benefits	(\$7,662)	(\$9,428)	(\$9,664)
Expense and Equipment	<u>(\$24,780)</u>	<u>(\$14,935)</u>	<u>(\$15,382)</u>
Total <u>Costs</u> - DED	(\$57,360)	(\$55,024)	(\$56,474)

ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	(\$103,475) to <u>(Unknown)</u>	(\$55,024) to <u>(Unknown)</u>	(\$56,474) to <u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

A fiscal impact to small businesses who design, build, or purchase homes would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes an income tax credit for building universal design residential homes.

The one-time credit will be equal to \$2,500 for any home built meeting standards related to the

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home's entry, door handles, hallways, interior doors, and bathroom size.

DESCRIPTION (continued)

Builders of qualified structures must submit an application to the Department of Economic Development for certification of the tax credit before applying the credit to tax liability.

The credit will apply to tax year 2001 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration
 Budget and Planning
Office of the Secretary of State

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
March 23, 2000